



### **1. What is the Rockies Express Natural Gas Pipeline (REX)?**

- The Rockies Express Pipeline (REX) is a proposed 42 inch, 1,323 mile natural gas pipeline system.
- Receipt points from Northwest Colorado and Opal through Cheyenne, Wyoming and then on to Clarington, Ohio. Plans are in motion to extend the system into New York.
- The project is being developed and will be built by Kinder Morgan Energy Partners and Sempra Pipeline and Storage.
- It will transport 1.8 billion cubic feet of natural gas per day from Wyoming and the surrounding Rocky Mountain region to markets in the Midwest and East.
- The pipeline is proposed to be built in four stages:
  - Entrega: Meeker, CO to Cheyenne Hub – In service 2006
  - Phase I: Cheyenne Hub to Eastern Missouri – In service January 1, 2008.
  - Phase II: Eastern Missouri to Lebanon, Ohio – In service January 1, 2009.
  - Phase III: Lebanon, Ohio to Clarington, Ohio – In service June 2009.
- The pipeline will cost approximately \$4.5 billion to build.
- Kinder Morgan and Sempra are funding the project with 50% or roughly \$2.25 billion in equity.

### **2. Why does the Rockies Express Natural Gas Pipeline need to be built?**

- Nation: Midwest and Eastern consumers rely on natural gas supplies from the Gulf Coast, Mid-Continent, Canada and liquefied natural gas (LNG) imports. Traditional gas supplies from the Mid-Continent and Gulf Coast regions are declining. Recently Gulf Coast production was severely compromised with the damage caused by hurricanes (15% of the original production in the Gulf remains shut in or 2.5 times the natural gas produced in Wyoming). Additional sources of natural gas need to be developed. Since experts believe demand for natural gas will increase by as much as 50% by 2020, it is vital that the nation have a stable, secure energy supply.
- Wyoming: Wyoming ranks number one in the nation in terms of growth in natural gas production and reserves and presently is third in overall total production. Most of Wyoming's production is exported and only 5% of its production is consumed within the state. Liquefied natural gas facilities are under construction in Baja California which will displace Wyoming gas supplies flowing to the west. In addition, there is continued natural gas production growth in Utah and Colorado which will flow north to Wyoming for shipment east or west. New pipeline capacity needs to be developed to prevent additional bottle necks.

### **3. Why does the Wyoming Natural Gas Pipeline Authority (WPA) need legislative changes and what are they?**

- The WPA's proposed legislation will help in the financing of the REX Pipeline project and in the event the project is not built, it will enable the WPA and Wyoming to advance projects in the future. Additional infrastructure will help insulate the State from future gas price volatility and insure a steadier future revenue stream.

- **Senate File 0084:** The WPA is requesting that the bonding authority be raised from \$1 billion to \$3 billion. The REX Pipeline is a \$4.5 to \$5 billion project and would need to be financed by approximately \$2.5 billion in debt which in turn would be underwritten by binding contractual commitments. Additionally, future CO<sub>2</sub>, crude oil and products infrastructure will be necessary in the state.
- The WPA is requesting that the State Treasurer have the authority to invest from funds other than the Wyoming Permanent Mineral Royalty Trust so there is not a concentration of investment in any one fund. *The State Treasurer is not obligated to purchase WPA bonds.*
- The Wyoming Natural Gas Pipeline Authority is requesting that its name be changed to the Wyoming Pipeline Authority to more clearly signify its authority to participant in other projects such as CO<sub>2</sub>, water or products lines.

#### **4. Who will pay for the Rockies Express Pipeline?**

Kinder Morgan/Sempra will finance the cost of the pipeline with private sector funding comprised of approximately 50% equity and 50% debt. The Wyoming Natural Gas Pipeline Authority (WPA) has had discussions with Kinder Morgan about financing a portion of the project with revenue. Any bonds issued by the WPA would be underwritten by revenues generated by contractual commitments to the pipeline. *Bonds issued by the WPA are not an obligation of the state.*

#### **5. Why should the WPA consider helping with the financing of the project?**

The budget surplus the State of Wyoming is experiencing is primarily due to revenue generated from taxes on mineral resources, primarily natural gas. In order for production and associated tax revenue to continue growing, new market access needs to be built to prevent an oversupply situation in the Rockies which could result in much lower gas prices. *Each 50 cent change in natural gas prices represents a gain or loss in revenue of approximately \$150 million per year to the State.*

#### **6. What form of help is needed to insure construction of REX?**

- Financial help is being proposed in two forms:
  - To help assure that the necessary natural gas commitments needed for the construction of the REX Pipeline project can be met, the WPA worked with Kinder on a conditional commitment of 200 million cubic feet per day of capacity on the pipeline. The WPA agreed to allow Kinder to reduce this capacity commitment to 60 million cubic feet per day between Opal and Cheyenne and to 32 million cubic feet per day between Cheyenne and Ohio. The natural gas to fill this capacity commitment may come from a consortium of smaller Wyoming producers, larger producers/aggregators or, perhaps, royalty-in-kind gas. The WPA has been contacted by other pipeline companies as well as markets interested in managing capacity.
  - In addition, the WPA may issue bonds through its investment bankers to help finance part of the project. The WPA will receive a financial return for this service. *Bonds issued by the WPA are not obligations of the state.*

## **7. How much State of Wyoming money will go into the REX pipeline?**

The amount, if any, will depend on whether the State Treasurer decides to participate in any bond issuance associated with the project. The State Treasurer will evaluate if the bonds fit with her investment strategy and compliment her portfolio. Amendments to SF0084 limit the State Treasurer's ability to invest in WPA bonds to \$100 million. If the Treasurer should choose to purchase bonds from the WPA and the State Loan and Investment Board approves such purchase, funds to purchase the bonds would come from the Legislative Stabilization Reserve Account (LSRA).

## **8. What if Kinder Morgan/Sempra does not build the REX pipeline?**

Current interstate pipelines that export natural gas from Wyoming are filled to 90% capacity and are anticipated to run close to capacity this summer. With the addition of LNG gasification capacity on the west coast in 2008 and additional natural gas entering Wyoming from Colorado and Utah, there will not be adequate pipeline export capacity in the very near future. Gas on gas competition will cause price deterioration, possibly as low as \$2.00 per thousand cubic feet as seen in 2002. *Each \$.50 change in price presents a gain or loss to the State's revenue interest of approximately \$150 million.*

## **9. How will this project affect consumer natural gas bills in Wyoming??**

Wyoming is a price taker, not a price setter. Natural gas prices and interstate movements of natural gas are monitored by the Federal Energy Regulatory Commission. By advancing a national distribution network, there will be moderating effects on gas prices. Prices of natural gas have been rising nation wide as world demand for energy increases.

## **10. Is Wyoming's natural gas competitive with other producing areas?**

With identification of new reserves and application of new technology, Wyoming has delivered beyond expectation and will continue to do so well into the future.

## **11. How much natural gas does Wyoming have?**

Government and industry estimates place the remaining gas supply in Wyoming at approximately 200 trillion cubic feet (tcf). The nation currently consumes about 22 tcf per year.

## **12. What has the WPA done since it was reactivated in 2002?**

Wyoming has seen an increase in revenue from \$500 million to \$1.9 billion primarily from taxes on natural gas production. The WPA was instrumental in building momentum behind the Rockies Express project via its Anchor Shipper capacity commitment. We worked extensively with Kinder in promoting Wyoming gas to future customers in the Midwest and Northeast portions of the country. Third party analysis performed on behalf of the WPA indicates that of the proposed projects moving natural gas east out of the State, the Rockies Express project provided the best net back. The WPA has intervened and facilitated interaction between public agencies and producers to assist in continued resource development to maintain the revenue stream to the State of Wyoming. The WPA was instrumental in El Paso Cheyenne Plains pipeline being sized up from a 30 inch to a 36 inch pipeline and supported the Rockies Express Pipeline project. The WPA continually disseminates information to the state and federal governments, producers and service companies throughout Wyoming with the intent of maintaining price parity to other natural gas supply sources.

**13. How much money could the WPA receive for their capacity commitment on the REX pipeline?**

There is potential for the WPA to receive an administrative charge for releasing its capacity to other producers. To date, the WPA administrative expenses have been funded by loans from the Treasurer. The goal is to repay the loans and become self funding.

**FOR ADDITIONAL INFORMATION:** [www.wyopipeline.com](http://www.wyopipeline.com) or [www.rexpipeline.com](http://www.rexpipeline.com)

**CONTACT:** Bryan Hassler and Colby Drechsel at 307-237-5009  
or Mark Doelger at 307-234-1574